



Ernie Fletcher
Governor

Mark David Goss
Chairman

Teresa J. Hill, Secretary
Environmental and Public
Protection Cabinet

Commonwealth of Kentucky
**Environmental and Public Protection Cabinet
Public Service Commission**

John W. Clay
Commissioner

Timothy J. LeDonne
Commissioner
Department of Public Protection

211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460

NEWS RELEASE

Contact:
Andrew Melnykovich
(502) 564-3940 x208
(502) 330-5981 (cell)

PSC APPROVES TRANSFER OF SANDY VALLEY WATER DISTRICT
Commission cites benefits of sewer development

FRANKFORT, Ky. (Jan. 22, 2007) – The Kentucky Public Service Commission (PSC) today approved the proposed transfer of the Sandy Valley Water District to the city of Pikeville and the Southern Water and Sewer District.

In its order, the PSC found that Pikeville and the Southern Water and Sewer District had shown, as required by Kentucky law, that they have the technical, managerial and financial capability to operate the Sandy Valley system.

The PSC also determined that the transfer, with conditions attached, would be in the public interest, noting that the transaction includes a planned extension of sewers into an area that currently has no centralized wastewater treatment facilities.

“Expanding wastewater treatment services in rural Kentucky is a top priority of state government,” PSC Chairman Mark David Goss said. “It is vital to both the health of the environment and for economic growth.”

Sandy Valley Water District, which is headquartered in Betsy Layne, has 2,335 retail customers in Floyd (1,133) and Pike (1,202) counties. Southern Water and Sewer District serves about 6,160 retail water customers in Floyd and Knott counties. Pikeville has about 3,200 retail water customers.

Under the proposed transaction, Southern Water and Sewer District would take over Sandy Valley’s customers in Floyd County, while Sandy Valley customers in Pike County would be served by the city of Pikeville.

-more-

The PSC placed a number of conditions on its approval, including:

- Pikeville and Southern Water and Sewer District are each to establish an office in the current Sandy Valley service area to receive payments and answer customer questions and complaints.
- Sandy Valley's employees as of Jan. 1, 2006, will remain in their current jobs, at no less than their current rates of pay, for at least one year.
- Rates for current Sandy Valley customers will be frozen for at least one year, as specified in an interlocal agreement entered into on Jan. 1, 2006, by Sandy Valley Water District, Southern Water and Sewer District, Pikeville and Floyd County Fiscal Court.

Additionally, the PSC incorporated into its order other provisions of the interlocal agreement relating to the assumptions of Sandy Valley's debt, allocations of its assets and construction of a sewer system.

The PSC determined that Sandy Valley Water District and Southern Water and Sewer District had properly entered into the interlocal agreement.

Documents in the case are available on the PSC Web site, psc.ky.gov. The case number is 2006-00327.

The PSC is an agency within the Environmental and Public Protection Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in the commonwealth of Kentucky and has approximately 110 employees.

-30-